

MEDICAL JURISPRUDENCE†

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Status of a Physician's Accounts Receivable Under Personal Property Tax Statutes

Under the personal property tax statutes of the State of California, a levy is made upon "solvent credits" of the taxpayer. The exact meaning of "solvent credits," is the subject of this article. Clearly, "credits" include bills payable by patients. However, what does the word "solvent" mean?

Section 2153 of the Revenue and Taxation Code provides:

A tax of one-tenth of one per cent is hereby levied on the actual value of solvent credits and any interest thereon. . . . Since most physicians have at all times a number of outstanding accounts payable to them, many of which may never be paid, it is necessary to ascertain if a deduction may be properly made from the total amount of credits of a sum equal to the bills which will in all probability not be collectible. For many years this has been a somewhat moot question.

The California tax laws were revised in 1939, and a Revenue and Taxation Code was enacted. This code was intended to contain substantially all of the laws of the state relating to taxation. The enactment of the code, however, did not clarify the issue with which we are concerned, and, if anything, rendered the answer more obscure. Section 113 provides:

"Solvent credits" means all credits except notes, bonds, and debentures. . . .

Section 112 provides:

"Credits" means solvent debts owing to the assessee, and any interest thereon unsecured by a mortgage, trust deed, contract, or other obligation where land is pledged as security.

Thus it can be seen that these sections reduce the term "solvent credits" to a meaning not different from the word "credits" itself as generally accepted. Article XIII, Section 1 of the State Constitution provides:

All property in the State, except as otherwise in this constitution provided, not exempt under the laws of the United States, shall be taxed in proportion to its value, to be ascertained as provided by law or as hereinafter provided. The word "property," as used in this article and section, is hereby declared to include moneys, credits, bonds, stocks, dues, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership; . . .

Section 110 provides:

"Value," "full cash value," or "cash value" means the amount at which property would be taken in payment of a just debt from a solvent debtor.

A comparison of Article XIII, Section 1 of the constitution with Section 110 of the code reveals an uncertainty as to what shall constitute the "actual value" of accounts receivable. No case has been found in this state bearing upon this question, and it is generally accepted that there has been no judicial interpretation of the term "actual value" in its relation to accounts receivable.

The San Francisco Assessor's office has ruled that the "actual value" of accounts receivable shall be the proportion of the accounts which are *probably collectible*. This same position has no doubt been taken by other assessors, since it seems to be the only logical interpretation of the law. It is this same question of interpreting the

laws in relation to the meaning of the word, "value" which causes the various assessors a great deal of consternation when they attempt to assess various types of property, and all are hoping that the courts will soon settle the matter.

Since it is the practice for an individual to make his own estimate of the value of his personal property, it would seem reasonable for him to base his estimate upon that percentage which past years have shown will most probably be received from his accounts receivable.

Reserve Commissions Offered to Senior Medical Students.—"All senior medical students graduating from fully accredited medical schools in the United States this spring will be afforded the opportunity of being appointed first lieutenants in the Medical Corps Reserve of the Army," *The Journal of the American Medical Association* reports in its *Medical Preparedness Section*. "The students who did not pursue formal instruction in the Reserve Officers' Training Corps will be eligible for appointment in the Medical Corps Reserve on a par with those students who did have the advantage of such instruction.

"These appointments will be made by the War Department on the recommendation of the dean of each approved medical school and on his certification that the applicant will be granted the degree of doctor of medicine on a specified date. At those schools which require a hospital internship for such degree, appointment will be made on certified evidence of the prospective successful completion of the prescribed four-year course of medical instruction. Commissions and letters of appointment will be delivered on graduation. The newly commissioned Medical Reserve officer should then present his letter of appointment to his local Selective Service board for reclassification.

"No Medical Reserve officer is considered eligible for extended active duty until he shall have completed at least one year of postgraduate hospital internship. Therefore, members of this year's graduating class who are appointed in the Medical Corps Reserve, either through medical units of the R. O. T. C. or under the aforementioned procedure, will not be available for active duty until July, 1942. Deferment of such duty beyond that time will depend on the current requirement for medical officers.

"In view of the anticipated annual demand for approximately four thousand Reserve medical officers to replace those who have completed twelve months training and service, it is doubtful that such deferments will be possible.

"The War Department approved appointment of senior medical students on February 18, and appropriate instructions were directed to the commanding general of each corps area. The deans of the several approved medical schools will receive complete instructions, together with appropriate application blanks, in the near future from the commanding general of the corps area in which the institution is located."

Eponym

Henle's Loop.—This anatomic structure was described by Friedrich Gustav Jacob Henle (1809-1885), professor of anatomy at Göttingen in his *Handbuch der systematischen Anatomie des Menschen* (Vol. II, p. 303; Braunschweig, 1862). A portion of the translation follows:

"The narrow canaliculae are always found in the interstices between the larger ones, running parallel with them and showing no tendency whatever to join them. Instead, they terminate at various levels, the lowest immediately under the surface of the papillae in the bridges between the larger canals, and are blind in the sense that two neighboring canaliculae join together in a sharp loop. Because of this course, I have given them the name of loop-shaped canaliculae."—R. W. B., in *The New England Journal of Medicine*.

† Editor's Note.—This department of CALIFORNIA AND WESTERN MEDICINE, presenting copy submitted by Hartley F. Peart, Esq., will contain excerpts from and syllabi of recent decisions and analyses of legal points and procedures of interest to the profession.